

Department of Health Services **Family Health**

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DESCRIPTION	FY 2003	FY 2004	FY 2005	
	ACTUAL	ESTIMATE	OSPB	JLBC
OPERATING BUDGET				
<i>Full Time Equivalent Positions</i>	92.2	89.8		89.8
Personal Services	2,741,200	2,993,400		2,993,400
Employee Related Expenditures	690,100	801,200		801,200
Professional and Outside Services	287,500	193,800		193,800
Travel - In State	45,100	67,400		67,400
Travel - Out of State	3,200	2,800		2,800
Other Operating Expenditures	867,200	1,262,200		1,035,900
Equipment	24,900	0		0
OPERATING SUBTOTAL	4,659,200	5,320,800		5,094,500
SPECIAL LINE ITEMS				
Children's Rehabilitative Services	3,587,000	3,587,000		3,587,000
AHCCCS-Children's Rehabilitative Services	34,485,000	34,651,300		42,872,600
Medicaid Special Exemption Payments	0	589,100		937,200
Adult Cystic Fibrosis	105,200	105,200		105,200
Adult Sickle Cell Anemia	33,000	33,000		33,000
Child Fatality Review Team	88,400	100,000		100,000
County Prenatal Services Grant	1,147,900	1,148,500		1,148,500
Health Start	66,000	0		0
High Risk Perinatal Services	2,669,000	3,630,600		3,630,600
Newborn Screening Program	2,517,300	3,239,800		3,239,800
County Nutrition Services	218,500	330,300		330,300
PROGRAM TOTAL	49,576,500	52,735,600		61,078,700
FUND SOURCES				
General Fund	22,195,400	23,517,800		25,858,700
<u>Other Appropriated Funds</u>				
Child Fatality Review Fund	88,400	100,000		100,000
Emergency Medical Services Operating Fund	318,400	450,000		450,000
Newborn Screening Program Fund	2,517,300	3,239,800		3,239,800
SUBTOTAL - Other Appropriated Funds	2,924,100	3,789,800		3,789,800
SUBTOTAL - Appropriated Funds	25,119,500	27,307,600		29,648,500
<u>Expenditure Authority Funds</u>				
Federal Title XIX Funds	24,457,000	25,428,000		31,430,200
SUBTOTAL - Expenditure Authority Funds	24,457,000	25,428,000		31,430,200
SUBTOTAL - Appropriated/Expenditure Authority Funds	49,576,500	52,735,600		61,078,700
Other Non-Appropriated Funds	10,248,100	15,839,200		13,954,700
Federal Funds	119,613,000	130,327,300		129,400,500
TOTAL - ALL SOURCES	179,437,600	198,902,100		204,433,900

CHANGE IN FUNDING SUMMARY

FY 2004 to FY 2005 JLBC

	\$ Change	% Change
General Fund	2,340,900	10.0%
Other Appropriated Funds	0	0.0%
Expenditure Authority Funds	6,002,200	23.6%
Total Appropriated/Expenditure Authority Funds	8,343,100	15.8%
Non Appropriated Funds	(2,811,300)	(1.9%)
Total - All Sources	5,531,800	2.8%

COST CENTER DESCRIPTION — The Division of Family Health Services provides public health programs primarily targeted toward women, children and the elderly. The largest program is Children's Rehabilitative Services (CRS), which provides treatment for seriously physically impaired children. CRS includes children with severe congenital defects, spina bifida, cleft palate, and other serious, yet correctable or improvable conditions. Non-CRS programs include prenatal programs, out-of-wedlock pregnancy prevention programs, nutrition services, and targeted care for specific diseases.

PERFORMANCE MEASURES	FY 2003 Appropriation	FY 2003 Actual	FY 2004 Appropriation	FY 2005 Recommend.
• Number of newborns screened under Newborn Screening Program	84,000	86,360	88,000	90,000
• Births by girls age 19 and under (rate per 1,000)	28.1	NA	28.1	--

Comments: The Department no longer collects information about births by girls age 19 and under.

RECOMMENDED CHANGES FROM FY 2004

Federal Match Rate Change

Under the Title XIX program state monies provide approximately a 33% match to the Federal Funds received. The federal Jobs and Growth Tax Relief and Reconciliation Act of 2003 included a temporary increase of 2.95% in the federal matching assistance percentage (FMAP) for the last quarter of FY 2003 and all of FY 2004, providing more Federal Funds for each dollar spent and generating General Fund savings in FY 2004. This federal match rate change expires at the end of FY 2004 and the JLBC recommends filling in these one-time savings. Because the department was given the discretion to allocate these monies among its Title XIX programs, the monies associated with filling in the savings are not shown in individual cost centers but are displayed in the Summary section. *(Please see Summary for more information.)*

Operating Budget

The JLBC recommends \$5,094,500 for the operating budget in FY 2005. This amount includes \$3,193,200 from the General Fund and \$1,901,300 from Federal Title XIX expenditure authority. These amounts would fund the following adjustment:

PLTO Rent Consolidation GF (226,300)

The JLBC recommends a decrease of \$(226,300) from the General Fund to shift funding for the PLTO rent for the new DHS building to the Administration program. There is a corresponding increase in the Administration program for no net impact to the budget. *(See Administration program for more details.)*

Special Line Items

Children's Rehabilitative Services

The JLBC recommends \$3,587,000 from the General Fund for Children's Rehabilitative Services (CRS) in FY 2005. This amount is unchanged from FY 2004. CRS provides comprehensive health care to children suffering from handicapping or potentially handicapping conditions. This

line item provides funding for uninsured children in the CRS program who are not eligible for Title XIX coverage.

AHCCCS-Children's Rehabilitative Services

The JLBC recommends \$42,872,600 for AHCCCS-CRS in FY 2005. This amount includes \$13,975,400 from the General Fund and \$28,897,200 from Federal Title XIX expenditure authority. These amounts would fund the following adjustments:

CRS Title XIX Caseload and GF 2,454,700 Capitation Rate Growth EA 5,766,600

The JLBC recommends an increase of \$2,454,700 from the General Fund and \$5,766,600 from Federal Title XIX expenditure authority for caseload growth in the CRS Title XIX program. This recommendation assumes 6% growth for medical inflation and 2.8% June over June growth in client population.

The JLBC also recommends an FY 2004 supplemental for caseload and inflation *(see Other Issues for Legislative Consideration for more information)*.

This line item provides funding to deliver CRS services to Title XIX eligible children. General Fund monies provide approximately one-third match to the federal monies (shown above as "EA") received.

Medicaid Special Exemption Payments

The JLBC recommends \$937,200 for Medicaid Special Exemption Payments in FY 2005. This amount includes \$305,500 from the General Fund and \$631,700 from Federal Title XIX expenditure authority. These amounts would fund the following adjustments:

Payment Increase GF 112,500 EA 235,600

The JLBC recommends an increase of \$112,500 from the General Fund and \$235,600 from Federal Title XIX expenditure authority associated with the increase in Medicaid Special Exemption payments that results from an increase in CRS Title XIX expenditures.

This Special Line Item provides the funding necessary for insurance premium tax payments by DHS required by

Laws 2003, Chapter 186. Because DHS contracts with AHCCCS to provide Title XIX CRS services, the department is required to pay a 2% tax on the capitation payments for CRS. Therefore, any increases in capitation payments associated with caseload growth and inflation necessitate an increase in premium tax payments.

The JLBC also recommends an FY 2004 supplemental for caseload and inflation (*see Other Issues for Legislative Consideration for more information*).

Adult Cystic Fibrosis

The JLBC recommends \$105,200 from the General Fund for Adult Cystic Fibrosis in FY 2005. This amount is unchanged from FY 2004. This line item provides contracted care and treatment services through the CRS program for adult residents of the state suffering from cystic fibrosis.

Adult Sickle Cell Anemia

The JLBC recommends \$33,000 from the General Fund for Adult Sickle Cell Anemia in FY 2005. This amount is unchanged from FY 2004. This line item provides contracted treatment through the CRS program for adults suffering from sickle cell anemia.

Child Fatality Review Team

The JLBC recommends \$100,000 from the Child Fatality Review Team Fund for the Child Fatality Review Team in FY 2005. This amount is unchanged from FY 2004. The program provides funding to organize child fatality review teams in all 15 counties and to study data collected by the 15 teams to determine ways to reduce the state's child mortality rate. The Child Fatality Review Fund receives revenues from a \$1 surcharge on fees collected on all certified copies of death certificates. Statute limits the revenue to the Child Fatality Review Fund to \$100,000, so the appropriation for this program is limited to \$100,000. The line item includes 2 FTE Positions.

County Prenatal Services Grant

The JLBC recommends \$1,148,500 from the General Fund for the County Prenatal Services Grant in FY 2005. This amount is unchanged from FY 2004. This line item provides grants to counties for programs that focus on increasing prenatal care among women at high risk of not seeking or receiving prenatal care.

Health Start

The JLBC recommends no funding for Health Start in FY 2005. This amount is unchanged from FY 2004. In FY 2001 and FY 2002, Health Start received monies from the Tobacco Litigation Settlement Fund and the General Fund support for this program was eliminated in FY 2002. FY 2003 expenditures from this line item are from prior year appropriations. This line item provided General Fund monies to county health departments and community organizations to create neighborhood outreach programs staffed with lay health workers who assist high risk pregnant women in obtaining prenatal care services.

High Risk Perinatal Services

The JLBC recommends \$3,630,600 for High Risk Perinatal Services in FY 2005. This amount includes \$3,180,600 from the General Fund and \$450,000 from the Emergency Medical Services Operating Fund. These amounts are unchanged from FY 2004. This line item provides contracted transport services for high risk expectant mothers and contracted physician follow-up services for uninsured newborns in intensive care centers.

Newborn Screening Program

The JLBC recommends \$3,239,800 from the Newborn Screening Program Fund for the Newborn Screening Program in FY 2005. This amount is unchanged from FY 2004. This line item provides for the centralized testing of all newborns in the state for a standard set of metabolic disorders. The program also provides for follow-up counseling for the parents of affected newborns. The State Health Laboratory currently holds the contract for testing. The program is funded entirely from the Newborn Screening Fund, which receives a fee of \$20 for every child born in Arizona. The fee is collected as part of the hospital charges when the infant is born. The line item includes 11.5 FTE Positions.

County Nutrition Services

The JLBC recommends \$330,300 from the General Fund for County Nutrition Services in FY 2005. This amount is unchanged from FY 2004. This line item provides funding to rural counties participating in the Nutritional Assessment Program, which provides screening, education, counseling and referrals to persons identified as needing nutrition services.

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JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items by Program

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The amounts appropriated for Children's Rehabilitative Services and for AHCCCS-Children's Rehabilitative Services are intended to cover all costs in full, for contracts for the provision of services to clients, unless a transfer of monies is approved by the Joint Legislative Budget Committee.

THE DEPARTMENT SHALL REPORT TO THE JOINT LEGISLATIVE BUDGET COMMITTEE BY MARCH 31 OF EACH YEAR ON PRELIMINARY ACTUARIAL ESTIMATES OF THE CAPITATION RATE INCREASES FOR THE FOLLOWING FISCAL YEAR. Before implementation of any changes in capitation rates for the AHCCCS-Children's Rehabilitative Services Special Line Item, the Department of Health Services shall report its expenditure plan to the Joint Legislative Budget Committee for its review. UNLESS REQUIRED FOR COMPLIANCE WITH FEDERAL LAW, BEFORE THE

DEPARTMENT IMPLEMENTS ANY CHANGES IN POLICY AFFECTING THE AMOUNT, SUFFICIENCY, DURATION, AND SCOPE OF HEALTH CARE SERVICES, AND WHO MAY PROVIDE SERVICES, THE DEPARTMENT SHALL PREPARE A FISCAL IMPACT ANALYSIS ON THE POTENTIAL EFFECTS OF THIS CHANGE ON THE FOLLOWING YEAR'S CAPITATION RATES. IF THE FISCAL ANALYSIS DEMONSTRATES THAT THESE CHANGES WILL RESULT IN ADDITIONAL STATE COSTS OF \$500,000 OR GREATER FOR A GIVEN FISCAL YEAR THE DEPARTMENT SHALL SUBMIT THE POLICY CHANGES TO THE JOINT LEGISLATIVE BUDGET COMMITTEE FOR REVIEW. THE DEPARTMENT SHALL ALSO REPORT QUARTERLY TO THE JOINT LEGISLATIVE BUDGET COMMITTEE ITEMIZING ALL POLICY CHANGES WITH FISCAL IMPACTS OF LESS THAN \$500,000 IN STATE COSTS. *(The JLBC recommends adding these provisions in order to improve the accuracy of capitation rate forecasts and to monitor more closely policy changes that have an effect on capitation rates).*

The Department of Health Services may transfer up to \$350,000 in revenues from the Indirect Cost Fund to the Arizona Health Care Cost Containment System for the purpose of meeting indirect cost state match requirements related to AHCCCS - Children's Rehabilitative Services program.

The Department of Health Services shall distribute all monies appropriated for the County Prenatal Services Grant on a pass-through basis with consideration to population, need and amount received in prior years.

Of the \$3,630,600 appropriated for High Risk Perinatal Services \$583,000 shall be distributed to counties.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

FY 2004 Supplemental

The JLBC recommends a supplemental adjustment of \$1,261,800 from the General Fund and \$2,973,600 in Federal Title XIX expenditure authority for caseload growth in AHCCCS-CRS services and for capitation rate increases reviewed by the JLBC at its August meeting. The capitation rate changes were effective July 1, 2003 and included an increase of 5.6% above FY 2003. The FY 2004 budget assumed a 4.9% capitation rate increase. In addition, AHCCCS-CRS enrollment growth has been higher than originally assumed in the FY 2004 budget.

The JLBC also recommends a corresponding supplemental adjustment of \$14,400 from the General Fund and \$34,000 in Federal Title XIX expenditure authority for an increase in Medicaid Special Exemption Payments *(see Medicaid Special Exemption Payments SLI for more information about how these payments relate to Title XIX caseload growth).*

FY 2004 numbers in the summary number table have not been adjusted for this recommended supplemental.

Newborn Screening Program Fund Insufficient Balance

The Newborn Screening Program Fund, which funds the Newborn Screening Program *(see discussion above)*, receives a fee of \$20 for every child born in Arizona. The fee is collected as part of the hospital charges when the infant is born.

In FY 2003, the program received additional funding for the addition of a new Newborn Screening test for Congenital Adrenal Hyperplasia, but did not raise its fees to provide a corresponding increase in revenue. For FY 2003 and FY 2004, fund balances were sufficient to support the additional appropriation. However, for FY 2005, the fund may not have sufficient revenue to provide for the current appropriation, and the department may have to reduce its expenditures from the fund or seek legislative approval for an increase in the fee cap established by A.R.S. § 36-694.

SUMMARY OF FUNDS - SEE AGENCY SUMMARY

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